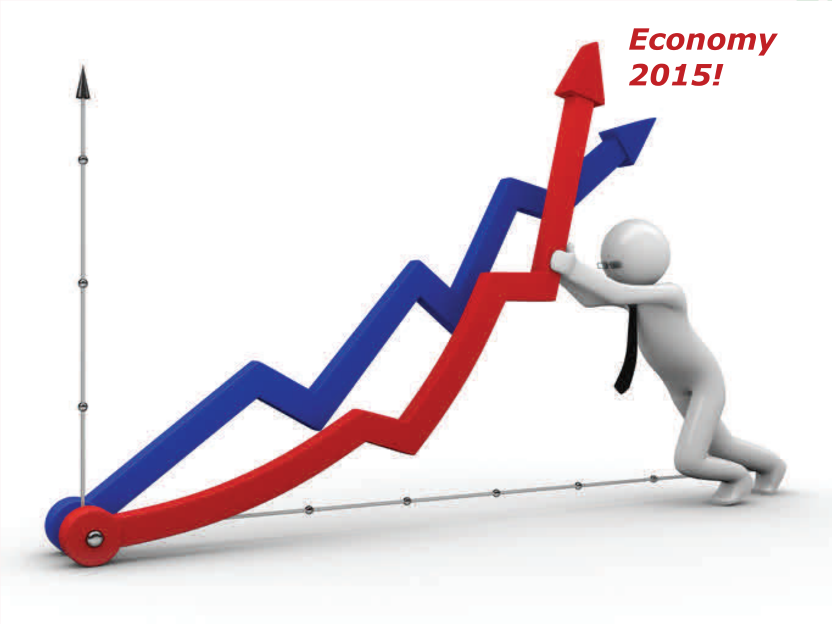
Budget Summary 2015



"The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist." [John Maynard Keynes]

JBW CONSULTANTS
Listening Thinking Delivering

CPA IRELAND MEMBER FIRM

INCOME / PAYE TAXES

- An increase in the **Standard Rate Tax Band (SRCOP)** of income tax by €1,000 from €32,800 to €33,800 for single individuals and from €41,800 to €42,800 for married one earner couples with effect from 1 January 2015.
- A reduction in the **higher rate of income tax** from 41% to 40%. From 1 January 2015.
- The threshold for the **artists' exemption** will be increased by €10,000 to €50,000. The Exemption is also being extended to non-resident artists (i.e. to individuals who are resident or ordinarily resident in another Member State or in another EEA State).
- **Foreign Earnings Deduction (FED)** is being extended for a further 3 years until the end of 2017 and qualifying countries are being extended to include Chile, Mexico and certain countries in the Middle East & Asia. The number of qualifying days abroad is being reduced from 60 to 40, the minimum stay in a country is reduced to 3 days and travelling time is being included as time spent abroad.

"A penny saved is worth two pennies earned …… after taxes!" [Randy Thurman]

- **Special Assignee Relief Programme** (SARP) is being extended for a further 3 years until the end of 2017 and the upper salary threshold is being removed. The residency requirement is being amended to only require Irish residency and the exclusion of work abroad is also removed. The requirement to have been employed abroad by the employer is being reduced to 6 months. Further details will be provided in the Finance Bill.

- **Employment and Investment Incentive** (EII) is being amended to raise company limits, increase the holding period by 1 year and include medium-sized companies in non-assisted areas and internationally traded financial services. These measures are subject to approval from the European Commission. Hotels, guest houses and self-catering accommodation will remain eligible for a further 3 years and the operating and managing of nursing homes will be included for 3 years.
- The **Seed Capital Scheme** is being rebranded as "Start-Up Relief for Entrepreneurs" (SURE) and being extended to individuals who have been unemployed up to 2 years.
- **Rent-A-Room Relief** - The threshold for exempt income under the rent-a-room scheme is being increased to €12,000 per annum.
- **Water Charges**—Tax relief at 20% will be provided on **water charges**, up to a maximum of €500 per annum. This relief will be paid in arrears.
- **The Home Renovation Incentive** (HRI) is being extended to include rental properties owned by landlords subject to income tax
- A relief from DIRT on savings used by **first time house buyers** towards the deposit on a home.
- The **Living City Initiative**, announced in Budget 2013 and extended last year to all 6 cities, targets certain areas that are most in need of regeneration in these cities. Local Authorities in each city will suggest final proposals for eligible areas later this year for the full roll-out of the Initiative in early 2015. This initiative plans to maximise the use of existing pre-1914 buildings by transforming them into modern homes. This initiative allows home owners to offset the entire cost of renovation against their income tax over a ten year period.

SOCIAL WELFARE

- The rate of Child Benefit is to be increased by €5 per child from January 2015 and will increase in 2016 by a further €5.
- Increase in the living alone allowance to €9 a week from 1 January 2015.
- The Government will pay the Christmas bonus at a 25% rate this year.
- A new back to work family dividend will be introduced to provide an additional incentive for families to move from welfare to work. This will allow families to retain the full qualified child increase of €29.80 per week per child for 12 months, after their return to work, and 50% of the payment in the second year.
- In 2015 €1.6 billion will be made available to provide approximately 300,000 work and training places in support of the Pathways to Work strategy.
- €12 million has been allocated for the JobPath initiative in 2015. This will match the long-term unemployed with appropriate training and employment opportunities.
- Doubling of the number of positions to 6,000 for the long-term unemployed on the Government's wage subsidy scheme, JobsPlus

"Welfare's purpose should be to eliminate, as far as possible, the need for its own existence." **[Ronald Regan]**

FARMING

Income Tax

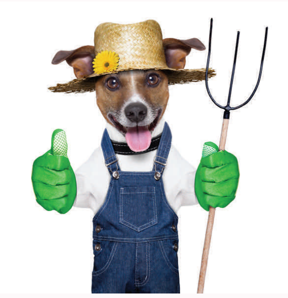
- Increases in the current amounts of income exempted from long term leasing by 50%
- The introduction of a fourth threshold for lease periods of 15 or more years with income of up to €40,000 being exempted.
- Allow relief where the lessee is a company .
- Remove the 40 years of age threshold for leasing relief.
- Allow income averaging where there is on-farm diversification
- Increase income averaging from 3 to 5 years

VAT

- The farmer's flat-rate addition will be increased from 5% to 5.2% with effect from 1 January 2015. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs. The flat-rate addition is reviewed annually in accordance with the EU VAT Directive and the increase to 5.2% in 2015 continues to achieve full compensation for farmers.

CGT
Relief for Farm Restructuring

- Farm restructuring relief is available where the first transaction in the restructuring (e.g. sale, purchase or exchange of land) is carried out by 31 December 2015 with the restructuring to be completed within 24 months. The deadline for the completion of the first restructuring transaction is being extended to 31 December 2016.
- Teagasc certification guidelines are being amended to enable whole farm replacement to be eligible for the relief subject to meeting the conditions laid down by Teagasc.



CGT Retirement Relief

- CGT retirement relief is being amended so that, subject to other conditions, land that has been leased for up to 25 years in total (increased from 15) ending with disposal will qualify for the relief.
- Amendments are also being made to provide (in the case of land disposals outside the family) that land currently let under conacre arrangements which end with disposal on or before 31 December 2016 or which (before 31 December 2016) is instead leased out for minimum periods of 5 years to a maximum of 25 years ending with disposal will, subject to other conditions, also qualify for CGT retirement relief.

Capital Acquisitions Tax
Agricultural Relief

- Changes are being introduced to target CAT agricultural relief to active farmers. From 1 January 2015, and subject to other conditions, the relief will be available only in respect of agricultural property gifted to or inherited by active farmers and to individuals who are not active farmers but who lease out the property on a long-term basis for agricultural use to such farmers.

Stamp Duty
Duty on Agricultural Leases

- Agricultural leases between 5 and 35 years in duration to active farmers will be exempt from Stamp Duty.

Consanguinity Relief

- Consanguinity relief, which applies to transfers of non-residential property to certain relatives, is due to expire on 31 December 2014. This relief, which halves the applicable rate of Stamp Duty, will be extended for a period of three years in certain circumstances where the transferor is 65 years or under and the transferee is an active farmer.

VAT, VRT and Levies

- The reduced 9% rate of VAT on tourism related activities is being retained.
- The reduction in the VAT rate for tourism services to 9% was funded by the 0.6% Pension Levy introduced in the Jobs Initiative in 2011 and continued in the Budget last year. This 0.6% Pension Levy will end on 31 December 2014. The additional 0.15% Pension Levy introduced for 2014 and 2015 will expire on 31 December 2015.
- The VRT reliefs available for the purchase of hybrid electric vehicles, plug-in hybrid electric vehicles, plug-in electric vehicles, and electric motorcycles are being extended to 31 December 2016.

"The ideas of debtor and creditor as to what constitutes a good time never coincide." [P.G. Wodehouse]

CAPITAL GAINS TAX

Property purchase incentive

- The incentive relief from CGT (in respect of the first 7 years of ownership) for properties purchased between 7 December 2011 and 31 December 2014 is not being extended beyond 31 December 2014. Where property purchased in this period is held for seven years the gains accrued in that period will not attract CGT.

Windfall tax

- Windfall tax provisions introduced in 2009 which apply an 80% rate of tax to certain profits or gains from land disposals or land development, where those profits or gains are attributable to a relevant planning decision by a planning authority, are being abolished from 1 January 2015

EXCISE

- The special relief reducing the standard rate of Alcohol Products Tax by 50% on beers produced in microbreweries is being extended to apply to microbreweries which produce not more than 30,000 hectolitres per annum.
- The excise duty on a packet of 20 cigarettes is being increased by 40 cents (including VAT) with a pro-rata increase on the other tobacco products, with effect from midnight on 14 October 2014. Duty on roll-your-own tobacco is being increased by an additional 20 cents (including VAT) per 25g pouch with effect from midnight on 14 October 2014

At JBW Consultants, we assist SME and start-up businesses, in the step-by-step process of developing your ambition for your business, be it increasing your turnover, diversifying into new areas or planning a retirement / exit strategy.

From our experience as accountants, auditors, taxation consultants and business management experts, we have developed methodologies to help you make the right decisions for the future of your business. We specialise in the provision of professional service solutions for family businesses and SME's in the South East region. Why not visit our website to see how we may be of assistance to you. www.jbw.ie

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COMPANIES

Corporation Tax
There will be no change to the Corporation Tax rate. The 12.5% rate is here to stay!

3 Year Relief for Start-up Companies
This measure provides relief from corporation tax on trading income (and certain capital gains) of new start-up companies in the first 3 years of trading. This relief is being extended to new business start-ups in 2015 and a review of the operation of this measure will take place in 2015.

Capital Allowances for the Provision of Specified Intangible Assets
This measure provides capital allowances for expenditure incurred by a company on the provision of certain intangible assets for use in a trade. The use of such allowances in any accounting period is currently restricted to a maximum of 80% of the trading income from the relevant trade in which the acquired assets are used. This 80% restriction on aggregate allowances (and any interest expense incurred on borrowings to fund the expenditure) will be removed.

Accelerated Capital Allowances for Energy Efficient Equipment
This is a measure to incentivise companies to invest in energy efficient equipment. This measure was due to expire at the end of 2014 and following a review by the Department of Communications, Energy and Natural Resources is being extended to the end of 2017.

R&D Tax Credit
The 25% tax credit applies to the amount of qualifying R&D expenditure incurred by a company in a given year that is in excess of the amount spent in 2003. This 2003 base year restriction is now being removed from 1 January 2015.

Tax Residency Rules
Changes announced to the company residency rules to require all companies registered in Ireland to also be tax resident in Ireland , effectively eliminating the so-called "Double Irish". This legal change will take effect from the 1st of January 2015 for new companies. For existing companies, there will be provision for a transition period until the end of 2020.

Knowledge Development Box
Companies now invest as much or more in knowledge-based capital as they do in physical capital such as plant and machinery. Best in class Knowledge Development Box at low competitive tax rate to be introduced following consultation.

THE ECONOMY

- Unemployment still high at 11.1%
- Unemployment rate forecast to fall to 10% next year
- Tax take for 2014 projected at €41 billion - €1 billion over target
- Forecast deficit for 2014 is 3.7% of GDP
- Forecasting GDP growth of 4.7% for 2014 and real GDP growth in 2015 of 3.9% and 3.4% in each of 2016 to 2018
- The forecast debt to GDP ratio for end 2014 is under 111%. When account is taken of cash balances and other financial assets, the 2014 net debt forecast is just below 91%..
- Forecasting gross debt ratio will drop below 100% of GDP in 2018

- Investor confidence in Ireland is returning with the 10 year sovereign bond yields down to record lows, trading at 1.72% this morning.
- Total general government revenue will be €65.2 billion in 2015 and total general government expenditure will be €70.5 billion.